GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2626
ANSWERED ON:19.12.2003
BANKING LICENCE TO COOPERATIVE SOCIETIES
JAYABEN B. THAKKAR

Will the Minister of FINANCE be pleased to state:

(a) whether in a major ruling the Supreme Court has held that the Reserve Bank of Indiacan not grant banking licence to Cooperative Societies registered under the State Act without the NABARD declaring it as a State, Central or Primary Cooperative Bank; and

(b) if so, the fate of those cooperative societies which got licences from RBI before the ruling of the Supreme Court?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANDRAO VITHOBA ADSUL):

(a) No, Sir. However, the Supreme Court in its recent ruling made on October 29, 2003 hasheld that Reserve Bank of India (RBI), by virtue of its power under Section 22 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies), can not grant licence to any co-operative bank unless it is a State Co-operative Bank, a CentralCo-operative Bank or a Primary Co-operative Bank.

(b) The Supreme Court has not dealt with explicitly on the validity of the banking licencesissued by RBI to the existing 34 Multi-State urban co-operative banks. RBI has since movedan application before the Hon`ble Court seeking further directions in the matter and the same is yet to come up for hearing.